

Message Text

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ACTION SS-30

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C O N F I D E N T I A L MEXICO 1556

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TAGS: PFOR, BR, XM

SUBJECT: SECRETARY'S BILATERAL DISCUSSION WITH BRAZILIAN
FOREIGN MINISTER

1. THE SECRETARY HELD A 55 MINUTE MEETING WITH FOREIGN
MINISTER MARIO GIBSON BARBOZA OF BRAZIL AFTERNOON OF
FEBRUARY 20. SECRETARY ACCOMPANIED BY ASSISTANT SECRETARY
KUBISCH AND LOW (NSC). BARBOZA WAS ACCOMPANIED BY AMBASSADORS
JOAO AUGUSTO DE ARAUJO CASTRO AND GEORGE ALVAREZ MACIEL.
CONVERSATION RELATED TO THE SECRETARY'S SPEECH AND ENERGY
MATTERS AT THE MFM; CUBA AND LICENSING OF AMERICAN FIRMS
IN ARGENTINA; COUNTERVAILING DUTIES ON SHOES; AND THE
MIDDLE EAST.

2. MFM CONFERENCE: SECRETARY KISSINGER ASKED BARBOZA'S
VIEWS ON HOW THE CONFERENCE WAS COMING AND WHETHER HIS
SPEECH SHOULD BE ONE OF SUBSTANCE. BARBOZA INDICATED THAT
DISCUSSIONS TO THIS POINT HAD BEEN LARGELY PROCEDURAL.
HE SUPPORTED THE SECRETARY'S PROPOSAL FOR A SUBSTANTIVE
SPEECH WHICH WOULD INCLUDE HIS MAJOR PROPOSALS, EVEN IF THAT
MEANT REPEATING THEM LATER IN CLOSED SESSION. IN RESPONSE
TO A QUESTION FROM KUBISCH, BARBOZA SAID HE THOUGHT THE ONE
SUBJECT WHICH COULD CREATE DIFFICULTIES DURING THE CONFERENCE
WAS ENERGY. DIVISIONS WERE SHARP AMONG THE LATIN AMERICANS.
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THE SECRETARY REASSURED BARBOZA THAT WE HAD NO DRAMATIC

PROPOSALS TO MAKE INVOLVING LA PARTICIPATION. HE THOUGHT THEY WOULD BE INTERESTED IN HEARING FROM HIM WHAT HAD TAKEN PLACE AND HE WAS ANXIOUS TO GET THEIR VIEWS. WE MIGHT PROPOSE A DATA BANK TO WHICH THEY COULD CONTRIBUTE IF THEY WANTED. BARBOZA RESPONDED THAT HE THOUGHT RESEARCH WAS A VERY POSITIVE AREA BUT WAS CONCERNED THAT WE STAY AWAY FROM ANY DISCUSSION OF TRADE IN OIL.

3. LICENSING AMERICAN FIRMS IN ARGENTINA FOR SALES TO CUBA: BARBOZA ASKED WHETHER THE SECRETARY PLANNED TO MAKE ANY STATEMENTS ON THIS SUBJECT. THE SECRETARY SAID HE DID NOT AND WENT ON TO REASSURE BARBOZA THAT WE WERE PLANNING NO SURPRISES IN OUR CUBAN RELATIONS. HE EXPLAINED THAT IT WAS NEITHER TO OUR ADVANTAGE FROM THE POINT OF VIEW OF GLOBAL STRATEGY NOR DOMESTIC SUPPORT, AND THAT IN ANY CASE WE WOULD TALK TO THE BRAZILIANS IF WE REALLY DECIDED TO RE-EXAMINE OUR RELATIONS WITH CUBA. ON THE ARGENTINE LICENSE PROBLEM, THE SECRETARY TOLD BARBOZA THAT NO DECISION HAD BEEN TAKEN BY US YET. THE SECRETARY PROMISED TO COMMUNICATE WITH THE BRAZILIANS BEFORE ANY DECISION IS ANNOUNCED. BARBOZA EXPRESSED THE VIEW THAT ISSUING OF LICENSES BY THE U.S. WOULD WEAKEN THE CONTINUED APPLICATION OF SANCTIONS.

4. COUNTERVAILING DUTIES ON SHOES: BARBOZA RAISED THE SUBJECT WHICH HE DESCRIBED AS VERY IMPORTANT TO BRAZIL AND CALLED THE SECRETARY'S ATTENTION TO A NOTE WHICH HAD JUST BEEN DELIVERED TO THE DEPARTMENT ON THE MATTER. THE SECRETARY SAID HE RECOGNIZED THERE WAS A PROBLEM BUT ASKED WHETHER WE COULD NOT ENTER INTO DISCUSSIONS ON THE MATTER. BARBOZA INDICATED THIS COULD NOT BE DONE UNTIL A NEW GOVERNMENT CAME INTO OFFICE IN BRAZIL MARCH 15. THE SECRETARY PERSISTED, ASKING WHETHER THE CHANGES EXPECTED WOULD BE THAT GREAT AND WHETHER WE COULDN'T DISCUSS THE MATTER ON A TECHNICAL LEVEL. BARBOZA INDICATED THERE WAS NO POSSIBILITY OF THIS GOVERNMENT'S TAKING THE MATTER UP WITH US. HE ASKED FOR THE SECRETARY'S UNDERSTANDING ON THIS EXTREMELY IMPORTANT MATTER TO HIM. THE SECRETARY PROMISED TO DO THE BEST HE COULD TO DELAY ANY ACTION BY US. UNTIL AFTER THE CHANGE IN BRAZIL'S GOVERNMENT. HE PROMISED TO COMMUNICATE WITH SECRETARY SHULTZ ON THE MATTER. THE SECRETARY NOTED THAT WE COULD SAY CONFIDENTIAL

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IN OUR TESTIMONY BEFORE THE SENATE FINANCE COMMITTEE THAT THE TWO FOREIGN MINISTERS HAD DISCUSSED THE MATTER HERE IN MEXICO CITY AND HAD AGREED TO AWAIT A NEW GOVERNMENT IN BRAZIL BEFORE CONTINUING FURTHER DISCUSSIONS.

5. THE ENERGY SITUATION IN THE MIDDLE EAST: THE SECRETARY BRIEFLY DESCRIBED THE SITUATION HE WOULD BE FACING ON HIS NEW TRIP TO THE MIDDLE EAST ON MONDAY AND PROMISED TO

WRITE BARBOZA ABOUT IT WHEN HE RETURNED. HE NOTED THE DIFFICULTIES OF DEALING WITH DOMESTICALLY WEAK GOVERNMENTS IN ISRAEL AND SYRIA AND SAID THE MOST HE COULD HOPE FOR WAS GETTING DISCUSSIONS STARTED. IN DISCUSSING THE ENERGY MATTER AT THE CONFERENCE, THE SECRETARY DESCRIBED OUR POSITION ON CONSULTATIONS AMONG CONSUMERS, NOTING THAT U.S. BARGAINING POSITION WITH THE ARABS IS VERY STRONG BECAUSE WE ARE REALLY THE ONLY NATION THAT COULD PROVIDE THEM WITH WHAT THEY MOST NEED - A SETTLEMENT.

BARBOZA WAS INTERESTED IN THE SECRETARY'S ARGUMENT THAT THE ARABS WERE WRONG IN CONTENDING THEIR OIL WAS WORTH MORE IN THE GROUND THAN PRODUCING IT NOW. THE SECRETARY POINTED OUT THAT WITH THE EFFECTS OF INFLATION AND DOWNWARD PRESSURE ON PRICES AS THE RESULT OF DEVELOPING NEW ENERGY SOURCES, THE \$10 A BARREL THEY CAN GET NOW IS WORTH MORE THAN THE \$24 THEY MIGHT BE ABLE TO GET IN 1980 FOR THE SAME OIL. BARBOZA NOTED BRAZIL'S DEPENDENCE ON THE SAUDIS AND SAID HE HOPED THEY UNDERSTOOD THIS ARGUMENT. THE SECRETARY SAID HE THOUGHT THEY DID.
KISSINGER

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